

## **APPENDIX F**

### **FLEET OVERHEAD CALCULATION**

**PROCEDURE: VEHICLE FLEET EXPENSE ALLOCATION**

**PURPOSE:** To allocate fleet costs to utility and non-utility operations.

**OVERVIEW:** Vehicle Fleet Expenses are the costs of operating and maintaining the fleet of vehicles throughout the Company. These costs are accumulated in clearing accounts and allocated to the user departments based on the number of factored vehicles in each department and the use of these vehicles in various utility and non-utility operations as reflected in payroll hours charged. A computerized program clears the fleet expenses from the clearing account and automatically records the journal entries.

**EXHIBIT:** Auto Clearing Audit Listing (Exhibit A)

**STEPS:** The following calculations take place within the vehicle fleet clearing program to clear monthly fleet expenses:

Vehicle Clearing  
Program:

- 1 The Garage or Storeroom Supervisor at each division (Brockton, Springfield, Lawrence) tracks the number of vehicles (cars, light trucks, heavy trucks and work equipment) assigned to each department. This inventory of actual vehicle information is converted to a "factored vehicle" by a weighting factor and is stored on a table in the vehicle clearing program (Exhibit A). For example, a heavy truck is weighted more than a car or a light truck.
2. Total vehicle operating and maintenance costs for the month, which include payroll and non-payroll costs, are calculated from the sum of accumulated totals by division in accounts 184-00 through 184-07 plus 184-26 through 184-29. This total represents the total fleet operating and maintenance expenses for a particular month being processed. The journal entry to record these costs is as follows:

(DR) Auto Payroll Costs	184-xx
(DR) Auto Non-Payroll Costs	184-xx
(CR) A/P	232-00
(CR) Payroll Payable	232-02
(CR) Materials & Supplies	154-xx
- 3 A cost rate per vehicle for each division is calculated by dividing total fleet operating and maintenance costs to be cleared (from Step 2) by the total number of factored vehicles assigned to a division.

**Example: Division fleet expense \$31,640.97 / 79  
vehicles - \$400.52 per vehicle**

- 4. The fleet expense for each department is then calculated by multiplying the number of factored vehicles assigned to the department by the rate per vehicle.**

**Example: 2 vehicles x \$400.52 = \$801.04 fleet expense for department**

- 5. The fleet expense rate per labor hour is then calculated by dividing the department fleet expense by the department's total labor hours for the month.**

**Example: \$801.04 / 2858.58 department payroll hours worked = \$.28  
per labor hour**

- 6. An allocated fleet expense amount for a particular capital project or expense account is calculated by multiplying the department fleet expense rate per labor hour by the total number of hours charged by the department to each account or capital project.**

**Example: \$.28 per hour x 1008 hours = \$282.24 charged to account or  
project**

- 7. Upon completion of each division's calculations, the vehicle clearing program will produce a contra credit entry to account 184-08 - Auto Clearing Contra by totaling the individual allocated amounts produced by Steps 2 through 6. This amount is then compared to the total vehicle cost for the month as described in Step 2. Any roundings are accumulated in a balancing account 184-00 - Miscellaneous Vehicle Expenses. The rounding variance from the month's calculation is included in the next month's calculation and will ultimately net to zero.**